

STATE OF MICHIGAN DEPARTMENT OF EDUCATION LANSING



September 29, 2008

MEMORANDUM

TO: State Board of Education

FROM: Mike Flanagan, Chairman

SUBJECT: Update on State Budget

On July 15, 2008, Governor Jennifer Granholm signed the fiscal year 2008 budget bill for the Department of Education. Contained in this bill is the funding for 17 new positions as follows: Five new positions and new state funding to address audit and oversight issues, seven new positions funded with federal funds to assume responsibility for certain educational assessment activities currently done under contract, and five new positions and \$923,000 to administer a new \$17.5 million federal grant for School Improvement activities.

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Other budget issues:

Because the Department is facing additional workload with both the 21st Century Schools initiative and the mounting issues related to the Detroit Public Schools, we are currently working with the State Budget Office for its support to increase funding and FTE's.

On August 6, 2008, Governor Granholm signed into law Public Act 268 which amends the State School Aid Act for the 2008-2009 fiscal year. The foundation allowance is increased on a sliding scale by \$56 to \$112. The minimum per pupil grant for fiscal year 2009 is \$7,316. Most categoricals remain funded at the same level as fiscal year 2008; however, funding for the school readiness program is increased by \$7.2 million (8.9%) In addition, there is the \$15 million allocation for the new 21st Century Schools Program.

The attached documents provide highlights of the MDE budget and the State School Aid Act.

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MICHIGAN DEPARTMENT OF EDUCATION FY2009 BUDGET UPDATE

Major Budget Change from FY08 to FY09

Educational Assessment and Accountability: Funding was increased by \$1,105,100 (federal) and 7.0 FTEs as the Department assumes responsibility for certain educational assessment activities currently done under contract. Funding was also increased by \$117,200 (federal) and 1.0 FTE to support additional English Language Proficiency staff, and \$300,000 (federal) to support a best practice study for assessing students with disabilities.

Audit and Program Oversight: Funding was increased by \$745,000 (GF) for high priority schools (3 FTE), for at-risk programs (1 FTE), and for special education programs (1 FTE) in order to comply with recent audit recommendations.

 Michigan Schools for the Deaf and Blind: Funding was increased by \$480,000 (local) and 6.0 FTEs in anticipation of increased enrollment.

Consolidated Administrative and Internal Audit Services: Funding was increased by \$100,000 (GF) to support consolidated internal audit operations per Executive Order 2007-30. The state budget office will bill us for these costs.

Federal School Improvement Grant: Funding of \$923,000 (federal) and 5 FTEs was added to administer a new \$17.5 million federal grant for School Improvement activities.

Teacher Tenure Support Staff: \$48,300 (GF) was added to help eliminate the backlog in teacher tenure cases.

Major Boilerplate Changes from FY08 to FY09

Section 215 Professional Development Travel: Prohibits more than one employee from traveling out of state for a specific conference or training seminar unless it is funded with federal or private dollars and requires more than one person from the Department to attend or the conference or training seminar includes multiple issues in which one employee from the Department does not have expertise.

Section 503 Teacher Certification Programs: Adds language requiring the Department to work with Central Michigan University and Wayne State University to review the report of alternative route to certification programs and determine funding strategies.

Section 950 Cyberschools: Adds language requiring the Department to report on barriers to the operation of cyberschools for special student populations, including dropouts and expelled students.





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FY 2007-08 Year-to-Date Gross Appropriation	\$12,897,780,100
Changes from FY 2007-08 Year-to-Date:	
Items Included by the Senate and House	
1. Adjustments in Required Funding and Federal Grants. Necessary increases in debt service on <i>Durant</i> bonds (\$41.9 million) and School Bond Loan (\$35.1 million), special education costs (\$33.3 million), and Renaissance Zones (\$7.5 million, \$2.1 million GF) were included, along with \$86.0 million in increased Federal funds. <i>Durant</i> cash payments (\$32.0 million) ended in FY 2007-08 and were removed for FY 2008-09.	171,763,700
 MBT Impact on Out-of-Formula Districts. A \$1.3 million appropriation was included to hold harmless those districts inadvertently impacted by the Michigan Business Tax. 	1,300,000
3. Assessment Cost, Juvenile Detention, and Special Education Lending Library Reductions. A reduction of \$449,600 in testing costs was included, based upon changes in testing policy agreed upon by the Senate and House, as were a reduction of \$150,000 to the lending library and a reduction of \$274,900 from efficiencies at Maxey.	(874,500)
4. Economic Adjustments. Economic adjustments of \$10,500 (\$700 GF) were included.	10,500
Conference Agreement on Items of Difference	
5. Foundation Allowance. Senate increased the foundation by \$71-\$142, House increased it by \$55-\$110, and Conference increased the foundation by \$56-\$112. Additional funding is included in the budget to ensure districts are held harmless from local millage reductions attributable to changes in the Michigan Business Tax.	256,500,000
6 Cash Flow Borrowing Costs. The Senate concurred with the Governor to increase the School Aid Fund's share of cash flow borrowing costs from \$22.8 million to \$45.0 million. The House increased it to \$30.8 million. Conference concurred with the Governor and Senate, for a total appropriation of \$45.0 million.	22,200,000
7. 21 st Century Schools Grants. Conference included \$15.0 million for new grants to districts with less than 70% graduation rate for planning and startup of newly constructed or newly configured schools designed to reduce the dropout rate. (The Governor and House funded this new program at \$32.0 million to pay debt service on State issued bonds; the Senate funded this at \$32.0 million for per-pupil infrastructure grants.)	15,000,000
8. Early Childhood Programs. Conference included an increase of \$5.0 million for the Early Childhood Investment Corporation (as recommended by the Governor and House), and a \$5.0 million (\$2.5 million GF/GP) increase for school readiness programs.	10,000,000
 Center for Educational Performance and Information. Conference included a \$2.5 million GF/GP increase to the CEPI. The Governor and House recommended an increase of \$4.3 million; the Senate included an increase of \$2.3 million. 	2,500,000
10. Child and Adolescent Health Centers. Conference included a \$1.0 million increase for Child and Adolescent Health Centers, concurring with the Senate. The House and Governor increased this program by \$2.0 million.	1,000,000
11. Other. Other Conference changes totaled \$1.7 million.	1,727,000
Total Changes	\$481,126,700
FY 2008-09 Conference Report Gross Appropriation	\$13,378,906,800
Amount Over/(Under) GF/GP Target: \$0	

Changes from FY 2007-08 Year to Date:

Items Included by the Senate and House

- 1. Funding Reduction for High School Grades not Offered. The House and Senate did not concur with the Governor to include language that would reduce any funding increases for schools that do not offer all of grades 9-12.
- 2. Emphasis on Postsecondary. The House and Senate included language for both the Center for Educational Performance and Information (CEPI) and the Michigan Virtual High School, whereby CEPI coordinate the electronic exchange of student records among K-12 and postsecondary entities, and that MVU work with postsecondary groups to develop an outreach plan with access to online resources designed to increase enrollments. (Sections 94a and 98)

Conference Agreement on Items of Difference

- 3. Kindergarten Membership/Funding. The Governor proposed that, beginning in FY 2009-2010, half-day kindergarten programs would be funded at 50% (current law fully funds those programs). Conference changed that to apply to developmental kindergarten programs, and added that kindergarten programs would be fully funded in FY 2010-11 if they operated for 60% of a day, and fully funded in FY 2011-12 if they operated for 70% of a day. (Sec. 6)
- 4. District of the First Class. Currently, a district of the first class is defined only in the Revised School Code (RSC) as a district with more than 100,000 pupils. Numerous sections in the School Aid Act (SAA) refer to the RSC. The House added a definition of first class district, only for relevant sections in the SAA, as being the largest school district. Conference changed the SAA definition to a district with at least 60,000 pupils. This definition in the SAA does not change the definition in the RSC, and thus sections in the RSC that refer to a first class district still are bound by the definition in the RSC.
- 5. 21st Century Schools. Conference added a new section, substantially different than the original proposal found in the Governor's recommendation (which would have appropriated \$32.0 million/year to pay debt service on State-issued bonds). Grants of up to \$3.0 million would be made available to districts with less than a 70% graduation rate, as long as the grantee matched the grant funds. Grantees would have to graduate at least 80% of their students by the third year, and 80% of those students would have to go on to postsecondary education, or the grantee would have to return 50% of the grant. (Sec. 11n)
- 6. **School Readiness Program Policy Changes.** Conference retained current law pertaining to teacher credentials in school readiness programs, but adopted numerous Senate recommendations, including prohibiting the supplanting of Federal funds, and requiring an effective recruitment and enrolling process. (Sections 32d, 32*I*, and 37)
- 7. Adult Education Earmark. Conference concurred with the Senate's earmarking of funds from Adult Education to be awarded as competitive grants to districts that educate people in prisons. The earmark was reduced from the Senate's \$700,000 to \$500,000 (out of \$24.0 million). (Sec. 107)
- 8. Repeal of Section 166. The Governor and House repealed Section 166, which imposes a 5% penalty to districts if they provide family planning drugs or referrals for abortion; the Senate did not repeal the section. Conference concurred with the Senate to retain the section in current law. (Sec. 166)

Date Completed: 7-16-08 Fiscal Analyst: Kathryn Summers-Coty

STATE SCHOOL AID, FY 2007-08 AND FY 2008-09

LINE ITEM DESCRIPTION	FY 2007-08 2008 PA 113	FY 2008-09 2008 PA 268
11f - Durant Non-plaintiff Cash Payments	\$ 32,000,000	\$ 0
11g - Durant Non-plaintiff Debt Service	141,000	42,000,000
11j - School Bond Loan Fund Payments - Debt Service	3,900,000	39,000,000
11m - Cash Flow Borrowing Costs	22,800,000	45,000,000
11n - 21st Century Schools	0	15,000,000
22a – Proposal A Obligation Payment	5,951,000,000	6,092,000,000
22b - Discretionary Payment	3,681,250,000	3,796,750,000
22d - Isolated Districts Funding	2,025,000	2,025,000
22e - MBT Impact on Out-of-Formula Districts	0	1,300,000
24 - Court-Placed Pupils	8,000,000	8,000,000
24a – Juvenile Detention Facilities	3,103,400	2,828,500
24c - Challenge Program	1,283,900	1,284,600
26a – Renaissance Zone Costs	50,000,000	57,500,000
26b - PILT Reimbursement	3,400,000	3,400,000
29 - Declining Enrollment	20,000,000	20,000,000
31a - "At-Risk" Pupils	310,457,000	
31a(6) - Child and Adolescent Health Centers	3,743,000	310,457,000
31a(7) - Vision and Hearing Screening	5,150,000	4,743,000
31d - School Lunch Program - State Share	22,495,100	5,150,000
31d - School Lunch Program - Federal Share		22,495,100
31f - School Breakfast	332,506,000	332,506,000
32b - Great Start ECIC Collaborative Grant	9,625,000	9,625,000
32c - Great Start Interagency Early Childhood Grants	1,750,000	6,750,000
32d - Great Start School Readiness	2,125,000	2,125,000
32e - Great Start School Hold Harmless	81,179,100	88,379,100
32j – Great Start ISD 0-5 Grants	4,700,000	5 000 000
32/ - Great Start School Readiness to Non-Districts	5,000,000	5,000,000
39a(1) - NCLB Federal US-ED Grants	12,650,000	15,150,000
39a(2) - Other (Non-NCLB) Federal Grants	669,660,100	752,987,500
41 - Bilingual Education	32,411,000	32,559,700
51a(2) - Special Education - Foundation Allowance	2,800,000	2,800,000
51a(3) - Special Education - Hold Harmless to ISDs	216,500,000	224,800,000
51a(6) - Special Education - Rules Changes	1,500,000	1,600,000
51a(8) - Special Education - ISD Center FICA	2,200,000	2,200,000
51a(12) - Special Education - Non-Section 52 to ISDs	15,313,900	15,313,900
51a – Special Education – Federal IDEA Funds	7,600,000	7,100,000
51c - Special Education - Headlee	350,700,000	350,700,000
51d - Special Education - Readilee	696,000,000	721,400,000
51d - Special Education - Other Federal Funds 53a - Special Education - Court-Placed FTEs	74,000,000	74,000,000
54 - MI Schools for the Deef and Divid	12,800,000	12,800,000
54 - MI Schools for the Deaf and Blind	1,688,000	1,688,000
54a - Special Education - Lending Library 54c - Newsline	250,000	100,000
	80,000	80,000
56 - Special Education - ISD Millage Equalization	36,881,100	36,881,100
57 - Advanced and Accelerated	285,000	285,000
61a - Vocational Education	30,000,000	30,000,000
62 - Vocational Education - ISD Millage Equalization	9,000,000	9,000,000
64 - Health / Science Middle College Program	2,000,000	2,000,000
65 - Pre-College Engineering	680,100	980,100
74 - Bus Driver Safety Instruction	1,625,000	1,625,000
74 - School Bus Inspections	1,400,800	1,403,500
81 – ISD General Operations	80,912,000	81,721,100
94a – CEPI – State Share	2,435,400	4,935,400

TOTAL SCHOOL AID APPROPRIATIONS	\$12,897,780,100	\$13,378,906,800
107 – Adult Education	24,000,000	
104a - MEAP Testing - Federal Share	5,477,600	8,512,900
104a - MEAP Testing - State Share	29,322,400	28,872,800
99p – Cultural Access Grants	100,000	100,000
99k - Deficit / Deficit Mill Grants	1,950,000	850,000
99j - Pilot Project Grants	500,000	1,500,000
99i - Anti-Bullying / Crisis Intervention Grant	300,000	300,000
99e – Financial Emergency District Funding	125,000	125,000
99a - Math / Science Centers / MVU After School Pilots	0	725,000
99 - Math / Science Centers - Federal Share	4,456,000	5;249,300
99 - Math / Science Centers - State Share	3,500,000	3,500,000
98 - Michigan Virtual HS - Federal Share	3,250,000	2,700,000
98 - Michigan Virtual HS - State Share	2,250,000	2,250,000
94a – CEPI – Federal Share	3,543,200	2,793,200

TOTAL REVENUE		
Federal Aid	\$ 1,476,003,900	\$ 1,562,008,600
School Aid Fund (SAF)	11,386,866,600	11,707,398,200
General Fund / General Purpose (GF)	34,909,600	The second secon
School Aid Stabilization Fund	0	68,700,000
TOTAL REVENUE	\$12,897,780,100	\$13,378,906,800